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Weekly Contributions
Latin American Division, ORE, CIA
8 November 1949

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CURRENT DEVELOPMENTS

CENTRAL AREA: Brazil's Communists will revive the campaign to prevent US development of Brazilian petroleum (p. 2). Colombia's Liberal Party has announced its intention of complaining to the UN of Conservative Party persecutions (p. 2). In Venezuela, a reorganization of the junta is likely (p. 3).

SOUTHERN AREA: Bolivia's government is threatened by disaffection within the army (p. 3). See also the report on the current situation in Paraguay (p. 4)

SPECIAL SUBJECTS

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1. BRAZIL: Communists to Revive Campaign for Nationalization of Petroleum

The National Committee of Studies for the Defense of Petroleum and the National Economy (a Communist front-group) has announced, in the Communist press, plans for a national convention in Rio in December. This meeting reportedly is to be preceded by municipal and state conventions during November and early December. The Communists evidently plan to revive the "petroleum campaign" because the government's suppression of the "peace campaign" meetings (See D/LA Wkly, 19 July 49) has seriously handicapped the Communists in their anti-US propaganda. A revival of the relatively dormant campaign of o petroleo e nosso ("the petroleum is ours") will give the Communists an added opportunity for much greater anti-US propaganda activity as well as a possible means for strengthening their organizational activities which had been curtailed by the government's action against the "peace movement".

Although it can be expected that the Brazilian officials will not let this new Communist maneuver get out-of-hand, it will be somewhat more difficult for them to ban meetings in behalf of the nationalization of petroleum and other natural resources since these meetings, unlike the "pacifist movement", will enjoy, as similar meetings did in 1948, support from some conservative and nationalist elements, including a few Army officers.

D/LA estimates that although the "petroleum campaign" is not likely to gain as many non-Communist followers as it did a year ago, it could further delay any congressional action on a petroleum code sufficiently favorable to attract the foreign capital investments (particularly US) necessary for the development of Brazil's petroleum industry. The stability of the Dutra administration will not be adversely affected by this renewed activity of the Communists.

2. COLOMBIA: The Liberal Party Directorate announced recently that it would submit a complaint to the Human Rights Commission of the United Nations (similar to that submitted by the opposition group in Nicaragua on 15 September), denouncing the persecutions that Liberals are suffering from local Conservative authorities. D/LA estimates that such Liberal Party action would be taken to impress public opinion in the Hemisphere rather than with any expectation of UN action, since the Human Rights Commission has no machinery for investigating or acting upon such complaints. The proposed action would aggravate the tension between the two parties.

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3. VENEZUELA: Split in the Military Junta

US Embassy Caracas reported 2 November that the junta president Carlos Delgado Chalbaud reprimanded Luis Felipe Llovera Páez (number three member of the junta) for his official and private misbehavior. The censure of Llovera Páez is the result of bitter reaction among government officials and the public generally to the recent confinement of 23 youthful political prisoners in El Dorado penal colony (ordinarily reserved for criminals). As Minister of the Interior, Llovera Páez was responsible for this severe measure, which has lowered the prestige of the junta. US Embassy Caracas has been informed that Pérez Jiménez (who in the past has relied heavily upon Llovera Páez' friendship and support in the junta) has decided to support Delgado Chalbaud in his insistence that Llovera Páez correct his behavior or leave the junta.

A split in the junta has long been expected in many quarters. Strong differences of opinion and temperament between Delgado Chalbaud and Pérez Jiménez led many sources to predict a break-up between these two, with Llovera Páez siding with Pérez Jiménez. If, as now seems probable, Pérez Jiménez should agree that Llovera Páez be dropped from the junta, D/LA estimates that the position of Delgado Chalbaud will be strengthened by the removal of Pérez Jiménez' supporter.

4. BOLIVIA: The continuance of the present regime is seriously threatened by present dissatisfaction and disaffection within the Army, which has been the principal support of the government. Among the top-level officers reportedly involved are the Chief of the General Staff, Col. David Terrazas, and Commander of the Second Military Region, Brigadier General Ovidio Quiroga. Terrazas, who is extremely ambitious, may have reacted violently to the reported intention of President Urriolagoitia to replace him as well as Army Commander in Chief, General Felipe Rivera, with other officers. Quiroga is reportedly dissatisfied with the recognition given him for his outstanding part in suppressing the last two revolutions. Although the Urriolagoitia government is weak and is beset by powerful subversive groups, its continuance is considered to be more favorable to US security interests than the formation of a new government by any opposition group -- the Communist-led PIR, the rightist MNR, or the army. (Substance used in CIA Wkly for 4 Nov 49.)

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The Current Situation in Paraguay

(Summary — The stability of the all-civilian government of Provisional President Federico Chaves is now seriously threatened by military elements, which continue to be deeply involved in politics. Economic conditions are generally unfavorable. Communist influence remains negligible. No change in Paraguay's international relations has been apparent in recent months.

— Current developments in Paraguay have little actual effect on US security interests, though threats to the government are detrimental to Paraguayan progress.)

Political

The stability of the all-civilian government of Provisional President Federico Chaves, which came into power as a result of the 10 September coup, is now seriously threatened by military elements. Colorado Party leaders are fearful of the strength Chief of Staff Díaz de Vivar now has, and are considering offering him a diplomatic post as a means of removing him from the local political scene. Whether Díaz de Vivar would accept such an arrangement is doubtful. A plot among the military to oust President Chaves and set up a military government has been reported. Such plots — even if successful — have little actual effect on US security interests except in so far as they hamper the progress of Paraguay.

Meanwhile the state of siege declared by President Chaves on 4 October is still in effect. Plans for an election have not been announced, despite the constitutional provision for an election within two months when three years of an unexpired presidential term remain. In view of the administration's present fears of a military coup, it is unlikely that an election will be held in the immediate future.

Economic

Economic conditions in Paraguay, despite some favorable factors, are generally unfavorable. It is true that crops for the current year are, on the whole, rather favorable. The cotton crop is greater than last year, with some available for export after fulfilling domestic needs. The corn crop was small; citrus fruit crop will probably be adequate. The rice crop, sufficient to allow for export, is now under government control to prevent inferior rice from being exported and to satisfy domestic needs in spite of illegal exports to Argentina. The general inflationary trend continues, however, and the cost of living continues to rise. There is a shortage of dollar exchange, which has caused a decrease in imports. This also has effected a reduction of

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services by the Central Railway because of inability to replace rolling stock. Cotton, a leading export in terms of value, was sold for soft currency because of the shortage of dollars in the purchasing countries. A seasonal shortage of marketable cattle has caused a rise in meat prices and a meat shortage in the Asunción area, and a scarcity of edible oil necessitated a severe rationing and price control system.

Prospects for general economic improvement in the near future are dim, though the situation might be alleviated somewhat if a foreign loan were obtained, a solution recently considered by the Paraguayan government. A development during recent months that is significant for the future is the withdrawal of the Union Oil Company of California from its exploration in the Chaco region, after unsuccessful attempts in five wells and an expenditure of \$7,500,000. Thus there are no immediate possibilities of oil, nor are other new sources of income being developed.

Military

The military continues to be involved in the political situation and are still an important factor in determining who will head the government. (See Political section.) No evidence exists that such activity has caused any appreciable change in morale, training, or matériel.

Subversive

Communist influence in Paraguay remains negligible. Although it is reported that some important members of the Communist Party have returned from exile in Argentina, no instances of their success in infiltrating the government have been evident. The possible subversive role of the military as a threat to the government is discussed under the political section.

International

No change in Paraguay's international relations has been apparent in recent months. Provisional President Federico Chaves is known to be pro-US and has stated that his administration would protect US investments in Paraguay. The provisional government has been recognized by the United States, as well as by other nations, and thus far Paraguay has continued her usual relations with these other countries. No difficulties in the normal close relations between Paraguay and Argentina are anticipated, and it is expected that Paraguay will agree to the terms of the commercial agreement with Argentina for the exchange of goods and other considerations. (See D/LA Wkly., 23 Aug 49.) Paraguay signed a Treaty of Perpetual Friendship with Spain on 12 October. This will probably be the basis for further treaties of economic and cultural nature.

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